

complaint

Mr A complains that Provident Personal Credit Limited (trading as Satsuma Loans) lent him money that he couldn't afford to repay.

Mr A wants Satsuma to pay him compensation.

background

Mr A took out three instalment loans with Satsuma. The first in December 2015 was for £600. Satsuma expected Mr A to repay the loan over 26 weeks at about £44 each month. Mr A repaid loan one in June 2016.

Mr A took out the second loan for £300 in April 2017. Mr A was due to repay the second loan by six monthly instalments of about £95. Mr A repaid loan two in November 2017.

Mr A took out loan three for £200 in January 2018. Satsuma expected him to repay the loan over six months by instalments of £63. Mr A still owes money on loan three.

Mr A says that he was borrowing from a number of different lenders all at the same time. Mr A says that all of his salary is going to pay off lenders. Mr A says that he had to take out new loans to repay old ones. Mr A wants Lending Stream to freeze the interest and charges on his account and let him pay a small amount each month.

The adjudicator didn't recommend that Mr A's complaint be upheld. She thought that Satsuma carried out adequate checks before agreeing the three loans. And based on the income and expenditure figures Mr A gave Satsuma, it was reasonable to have agreed to lend.

Mr A doesn't agree with the adjudicator's recommendation. Mr A points out that Lending Stream hasn't shared its credit report. Mr A says that he can clearly show that he was in financial difficulties and was relying on family members to help support him.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Satsuma was required to lend responsibly. It needed to make checks to see whether Mr A could afford to pay back each loan before it lent to him. Those checks needed to be proportionate to things such as the amount Mr A was borrowing, the length of the agreement and his borrowing history. But there wasn't a set list of checks that Satsuma had to do.

Even if I find that Satsuma didn't carry out adequate checks, it won't necessarily mean that I must uphold Mr A's complaint. I would need to be persuaded that with proportionate checks, Satsuma would've discovered that some or all of the loans weren't affordable for Mr A.

loan one

Satsuma expected Mr A to repay a relatively modest proportion of his declared income of over £3,240 each month. From the information Mr A gave about his income and expenses it

looked as though he could afford the repayments on loan one. Satsuma also carried out checks to include any undeclared credit commitments as part of its affordability assessment.

I can't reasonably say that Satsuma was wrong to agree loan one based on what Mr A told it about his circumstances and the expenditure buffer that it added to his declared expenses.

loan two

Mr A applied for loan two more than ten months after he'd repaid loan one and the loan was half the amount that he'd borrowed first time around.

Satsuma has given us evidence that it asked Mr A about his income and expenditure. Again, Satsuma increased the amount of Mr A's expenses to take account of any undeclared expenditure that it could see on his credit file.

Satsuma says that Mr A declared his monthly income to be £3,675. Satsuma recorded his expenses to be around £3,280, leaving him with just under £400 of disposable income.

I consider Satsuma's checks went far enough. It looked as though Mr A could afford the repayments on loan two.

loan three

Satsuma's records show that Mr A declared a monthly income of £3,243 with monthly expenses of £1,977.

Satsuma increased Mr A's expenses to take account of any undeclared credit commitments it could see on his credit file. This left Mr A with around £610 of disposable income.

Overall, I consider that Satsuma's checks were proportionate and the loan repayments appeared affordable.

Although Satsuma hasn't given us copies of the credit searches that it carried out, it appears to have taken account of any undeclared credit expenses that it could see in them. I also can't see any defaults or County Court Judgments on the credit report that Mr A has given to us. So I can't say that Satsuma was aware of any information that should've prompted it to ask more questions than it did.

I appreciate that Mr A's financial situation was worse than he told Satsuma but I don't consider that Satsuma needed to go as far as trying to independently verify the information that he gave. This means Satsuma couldn't have known that Mr A was borrowing from family to help support himself unless he'd made it aware of this at the time.

I'm sorry to disappoint Mr A but I don't uphold his complaint. Satsuma has explained that it doesn't add any further interest or charges to loan three over and above the total amount agreed in the loan.

If Mr A hasn't done so already, I urge him to contact Satsuma to try and agree an affordable repayment plan. If Mr A does this, I remind Satsuma of its duty to treat Mr A reasonably and sympathetically.

my final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 23 April 2019.

Gemma Bowen
ombudsman